

September 25, 2018

Subject: FY 2014-15 and FY 2015-16 Affordable Housing & Sustainable Communities Program Guidelines: Technical Amendment

Reporting Period: September 2018

Staff Lead: AHSC Program Staff

Recommended Action:

Amend Section 111 of the FY 2014-15 (Round 1) and FY 2015-16 (Round 2) Affordable Housing & Sustainable Communities (AHSC) Program Guidelines to allow for extension of performance requirements and to remove prescribed dates in the Guidelines for performance milestones deadlines.

Summary:

This action memorializes changes to the Fiscal Year (FY) 2014-2015 and (FY) 2015-2016 AHSC Program Guidelines. These include changes to the construction start dates, project completion dates, and funds disbursement deadlines.

On June 27, 2018, the State budget was signed and the liquidation deadline for the AHSC Program's first round was extended from June 30, 2020 to June 30, 2022. Previously, the liquidation deadline was extended from June 30, 2019 to June 30, 2020. As a result, encumbered funds not yet disbursed from the FY 2014-15 AHSC Program round of funding will now revert to the Greenhouse Gas Reduction Fund on June 30, 2022.

This proposed amendment to the disbursement deadline would align the Round 1 guidelines with the recent extension of the liquidation deadline. The amendment will extend the disbursement deadline from April 1, 2020 to June 1, 2022.

Beginning in Round 2, the AHSC Program is funded through continuous appropriations from the Greenhouse Gas Reduction Fund. As a result, there are no liquidation deadlines. Therefore, the disbursement deadline is set independently of a date when funds will revert to the Greenhouse Gas Reduction Fund.

This amendment will extend the Round 2 disbursement deadline from June 30, 2021 to June 30, 2023. The amendment would also eliminate dates for the deadlines of standard agreement and disbursement agreement execution and instead rely upon disbursement deadlines set in standard agreements, a contract between the awardee and the California Department of Housing and Community Development. Not issuing deadlines for standard agreement and disbursement agreement execution is consistent with the FY 2016-17 (Round 3) and FY 2017-18 Draft (Round 4) AHSC Program Guidelines.

Both the FY 2014-15 and FY 2015-16 AHSC Program guidelines require construction of Affordable Housing Developments to commence within two years. This amendment would set that timeline to four years.

Both the FY 2014-15 and FY 2015-16 guidelines set a deadline for providing a certificate of occupancy within five years of being awarded. This amendment would eliminate the five year deadline and replace it with a specified date. This would be June 1, 2022 for the FY 2014-15 guidelines and June 1, 2023 for the FY 2015-16 guidelines.

Some projects awarded in the FY 2014-15 and FY 2015-16 of the AHSC Program are facing issues that require these amendments in order to complete the project before the liquidation deadlines. The primary issue is an increasing gap between the funding in hand and the total development cost, caused largely by rising construction costs and recently decreased value of low income housing tax credits, a significant source of funding for affordable housing developments. Extending performance requirements will allow more time for projects to secure additional funding.

Another issue is an unwillingness from lenders to provide construction loans to projects that could potentially miss performance milestones, as these projects would be in violation of their contract with the California Department of Housing and Community Development. Construction loans are only signed once projects are ready to commence construction. If project awardees are ready to sign these loans but unable to find a willing lender, the projects are subject to further delays caused by external market forces. Extending performance milestone deadlines will allow for the closing of certain construction loans.

These amendments are needed to ensure Rounds 1 and 2 projects are able to be completed as soon as possible and as proposed.

Attached are Sections 111 of the FY 2014-15 and FY 2015-16 AHSC Guidelines with proposed amendment language and strikethroughs in blue. Previously approved amendments are in red.